

State of Iowa - Return on Investment Program / IT Project Evaluation**SECTION 1: PROPOSAL**

Tracking Number (For Project Office Use)

009**Project Name:** IWD Tax System **Date:** 09-29-00**Agency Point of Contact for Project:** Larry Venenga, Chief Tax Bureau**Agency Point of Contact Phone Number / E-mail:** 515-281-8200 / Larry.Venenga@iwd.state.ia.us**Executive Sponsor (Agency Director or Designee) Signature:** _____
(Reynel Dohse, UIS Administrator)

Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary)	Yes
Is this project required by State statute? (If "Yes," explain in Proposal Summary)	Yes
Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary)	No
Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary)	Yes
Does this project contribute to meeting a strategic goal of government? (If "Yes," explain in Proposal Summary)	Yes
Is this a "research and development" project? (If "Yes," explain in Proposal Summary)	No

PROPOSAL SUMMARY:

In written detail, explain why the project is being undertaken and the results that are expected. This includes, but is not limited to, the following:

- 1. A pre-project (before implementation) and a post-project (after implementation) description of the system or process that will be impacted.**

Response:

- A. Pre-Project** - The Unemployment Insurance Services (UIS) Division Tax Functions of the Iowa Workforce Development (IWD) has been operating with a paper/semi-automated system since the late 1960's. Tax Functions serves approximately 69,000 active employers and collects over 1,600,000 wage records quarterly. Since the tax system is so manual, UIS staff are not always able to provide detailed information and needed service to employers, claimants, internal staff and federal and state partners in a timely manner. The volume of paper processed in our existing environment is time intensive to process and cumbersome to data capture. Many processes are not automated, forcing us to rely on manual ledgers, manual review of microfilmed documents and manual tabulations of reports and data.

The UIS Tax Functions provides the following services: Employer Liability Determinations, Collection of employer unemployment insurance taxes, and provide wage detail for UI claimants and other UIS customers.

- B. Post-Project - A new automated IWD Tax Functions system will increase the level of service provided to both employers and claimants. The new system will save time and reduce manual processing by fully integrating systems with better edits. This will allow changes and corrections to update all files, thus eliminating redundant entries and allowing existing staff more time to research issues and provide better service to our customers.

2. **A summary of the extent to which the project provides tangible and intangible benefits to either Iowa citizens or to State government. Included would be such items as qualifying for additional matching funds, improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, complying with enterprise technology standards, meeting a strategic goal, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, complying with federal or state laws, etc.**

Response:

- A. The Employer Liability Determination process can be enhanced and more timely.
- B. A new tax system benefits employers by allowing electronic funds transfer, electronic report filing and/or electronic forms preparation.
- C. TheTax Collection functions will be improved by allowing for better tracking and faster refunds to employers.
- D. Unemployed workers can expect their wage records to be available and accurate when filing for unemployment insurance.

3. **A summary that identifies the project stakeholders and how they are impacted by the project.**

Response

Iowa employers will continue to experience increasing delays in the establishment of the employer tax accounts, the tracking of employer accounts, the tracking of employer requests for service, receipt of billing notices and the deposit of money in the trust fund. Without a redesign of the tax system IWD cannot offer employers electronic funds transfer, electronic report filing or electronic forms preparation which is essential in the current and future business environment. Also, unemployed workers may experience delays in receiving unemployment insurance benefits.

SECTION 2: PROJECT PLAN

Individual project plans will vary depending upon the size and complexity of the project. A project plan includes the following information:

1. Agency Information

Project Executive Sponsor Responsibilities: Identify, in Section I, the executive who is the sponsor of the project. The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Response:

Project Executive Sponsor: Reynel Dohse, UIS Administrator

Organization Skills: Identify the skills that are necessary for successful project implementation. Identify which of these skills are available within the agency and the source(s) and acquisition plan for the skills that are lacking.

Response:

Skills necessary for successful implementation are available in IWD Tax Bureau, Field Audit Bureaus, and Information Technology Bureau. Sources outside of IWD would include Information Technology Support Center (ITSC) and software/hardware vendors.

2. Project Information

Mission, Goals, Objectives: The project plan should clearly demonstrate that the project has developed from an idea to a detailed plan of action. The project plan must link the project to an agency's mission, goals, and objectives and define project objectives and how they will be reached. The project plan should include the following:

- A. **Expectations:** A description of the purpose or reason that the effort is being undertaken and the results that are anticipated.

Response:

In an environment of increased workload and shrinking staff, the most important reason to redesign the UIS Tax Functions is to provide responsive customer service by capturing and displaying data electronically to facilitate prompt problem resolution. The need to access paper documents would be minimized.

- B. **Measures:** A description of the set of beliefs, tradeoffs and philosophies that govern the results of the project and their attainment. How is the project to be judged or valued? What criteria will be used to determine if the project is successful? What happens if the project fails?

Response:

The successfulness of this project will be measured using US DOL Tax Performance System (TPS) review and Customer Surveys

- C. **Environment:** Who will provide input (e.g., businesses, other agencies, citizens) into the development of the solution? Are others creating similar or related projects? Are there cooperation opportunities?

Response:

Input will be provided by having focus group meetings with employers, agency staff, business groups, and labor organizations. Many Tax operations throughout the United States are currently redesigning their tax systems. For example: The estimated cost of re-engineering of tax systems in other states range from \$7.0 million in South Carolina, Missouri and Alaska, \$10.0 million in Minnesota and \$32.0 million in Wisconsin. Cooperation opportunities exist between states and ITSC experience in redesigning tax systems.

- D. **Project Management and Risk Mitigation:** A description of how you plan to manage the project budget, project scope, vendors, contracts and business process change (if applicable). Describe how you plan to mitigate project risk.

Response:

An IWD staff person will manage this project. ITSC will be used as a consultant for planning purposes.

- E. **Security / Data Integrity / Data Accuracy / Information Privacy:** A description of the security requirements of the project? How will these requirements be integrated into the project and tested. What measures will be taken to insure data integrity, data accuracy and information privacy?

Response:

Security will be accomplished by developing a security plan and new technology products will be used to insure data remains confidential. The IWD Tax system redesign will follow both Federal and State requirements. Procedures used by other states and ITSC experience on redesigning tax systems will be used to develop and test Iowa's new system.

3. **Current Technology Environment (Describe the following):**

A. **Software (Client Side / Server Side / Midrange / Mainframe)**

- **Application software**

IBM CICS, Cobol, DB/2

- **Operating system software**

OS/390, MVS

- **Interfaces to other systems: Identify important or major interfaces to internal and external systems**

ES-202, UI CLAIMS

B. **Hardware (Client Side / Server Side / Mid-range / Mainframe):**

OS/390

- **Platform, operating system, storage and physical environmental requirements.**

- **Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.**

Existing Network

- **Interfaces to other systems:** Identify important or major interfaces to internal and external systems.

(see above)

4. Proposed Environment (Describe the following):

A. Software (Client Side / Server side / Mid-range / Mainframe)

- **Application software.**

VisualAge for JAVA, ORACLE Forms – ORACLE Application Server, ORACLE Enterprise Server

- **Operating system software.**

UNIX & NT

- **Interfaces to other systems:** Identify important or major interfaces to internal and external systems.

R&F – R.F.T., ES-202, UI CLAIMS

- **General parameters if specific parameters are unknown or to be determined.**

B. Hardware (Client Side / Server Side / Mid-range / Mainframe)

- **Platform, operating system, storage and physical environmental requirements.**

- UNIX for DBMS, NT for Application Server, Client WIN-NT/2000

- **Connectivity and Bandwidth:** If applicable, describe logical and physical connectivity.

- Existing Network

- **Interfaces to other systems:** Identify important or major interfaces to internal and external systems.

- (see above)

- **General parameters if specific parameters are unknown or to be determined.**

Data Elements: If the project creates a new database the project plan should include the specific software involved and a general description of the data elements.

Response:

Replaces an existing database

Project Schedule: A schedule that includes: time lines, resources, tasks, checkpoints, deliverables and responsible parties.

Response:

10-01-00 thru 06-30-01	Document System requirements. Identify Iowa specific customizations
07-01-01 thru 06-30-02	Purchase hardware/software. Begin installation and customization
07-01-02 thru 06-30-03	Continue migration & customization
07-01-02 thru 06-30-04	Complete migration & customization

SECTION 3: Return On Investment (ROI) Financial Analysis

Project Budget:

Provide the estimated project cost by expense category.

Personnel	\$ 50,000
Software	\$ 270,000
Hardware	\$ 660,000
Training	\$ 70,000
Facilities	\$ 0
Professional Services	\$1,500,000
Supplies	\$ 0
Other (Specify)	\$ 0
Total	\$2,550,000

Project Funding:

Provide the estimated project cost by funding source.

State Funds	\$1,300,000	51	% of total cost
Federal Funds	\$1,250,000	49	% of total cost
Local Gov. Funds	\$0.00	0	% of total cost
Private Funds	\$0.00	0	% of total cost
Other Funds (Specify)	\$0.00	0	% of total cost
Total Cost:	\$2,550,000		

Provide the estimated project cost by fiscal year.

How much of the cost would be incurred by your agency
from normal operating budgets (staff, equipment, etc.)? \$1,250,000 49%

How much of the cost would be paid by requested State
IT project funds? \$1,300,000 51%

Identify, list, and quantify all additional annual maintenance expenses (State \$\$s) related to the project.

Response:

NONE

Identify, list, and quantify any other future additional expenses (State \$\$s) related to the project.

Response:

IWD tax system redesign is a three-year project

Yr 2003 - \$1,300,000 (State) ---- \$1,250,000 (Agency)

Yr 2004 - \$1,300,000 (State) ---- \$1,250,000 (Agency)

ROI Financial Worksheet Directions (Attach Written Detail as Requested):

Annual Pre-Project Cost -- Quantify, in written detail, all actual State government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N/A

Annual Post-Project Cost -- Quantify, in written detail, all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N/A

State Government Benefit -- Subtract the total "Annual Post-Project Cost" from the total "Annual Pre-Project Cost." This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N/A

Citizen Benefit -- Quantify, in written detail, the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses (hidden taxes) related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses.

Response: Specific "Citizen Benefit" not quantifiable

Opportunity Value/Risk or Loss Avoidance Benefit -- Quantify, in written detail, the estimated annual benefit to Iowa citizens or to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

See – Section 1, Item 3

Savings Estimates: Many State Unemployment Tax operations throughout the United States are currently redesigning their tax systems. Iowa has an opportunity to benefit from this movement as several states have offered IT programs coding to Iowa at no charge. These states are also willing to share their experience in the redesign effort. The estimated value of the program coding is \$2.1 million. This will save IWD approximately \$700,000 per year as this project is expected to take three years.

Iowa Workforce Development also has an opportunity to utilize funds from an integrity source for automation projects. The funds available each year are expected to total \$500,000.

Iowa Workforce Development will also provide \$50,000 per year for a staff person to function as Project manager.

Total saving estimated at \$1,250,000.

Total Annual Project Benefit -- Add the values of all annual benefit categories.

Response: See ROI Financial Worksheet

Total Annual Project Cost -- Quantify, in written detail, the estimated annual new cost necessary to implement and maintain the project including consulting fees, equipment retirement, ongoing expenses (i.e. labor, etc.), other technology (hardware, software and development), and any other specifically identifiable project related expense. In general, to calculate the annual hardware cost, divide the hardware and associated costs by three (3), the useful life. In general, to calculate the annual software cost, divide the software and associated costs by four (4), the useful life. This may require assigning consulting fees to hardware cost or to software cost. A different useful life may be used if it can be documented.

Response: See Section 3, Project Benefit

Project Budget X 51%) / Prorated over 4 years.

$(\$2,550,000 \times 0.51) / 4 = \$325,125$ Annual project Costs.

Benefit / Cost Ratio -- Divide the “Total Annual Project Benefit” by the “Total Annual Project Cost.” If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

Response: See ROI Financial Worksheet

ROI -- Subtract the “Total Annual Project Cost” from the “Total Annual Project Benefit” and divide by the amount of the requested State IT project funds.

Response: See ROI Financial Worksheet

Benefits Not Cost Related or Quantifiable -- List the project benefits and articulate, in written detail, why they (IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.) are not cost related or quantifiable. Rate the importance of these benefits on a “1 – 10” basis, with “10” being of highest importance. Check the “Benefits Not Cost Related or Quantifiable” box in the applicable row.

Response: See Section1, Proposal Summary, Project Benefit 2, A-D

- A. Rating = 10
- B. Rating = 10
- C. Rating = 10
- D. Rating = 10

ROI Financial Worksheet

Annual Pre-Project Cost - How You Perform The Function(s) Now

FTE Cost (salary plus benefits):	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
A. Total Annual Pre-Project Cost:	N/A

Annual Post-Project Cost – How You Propose to Perform the Function(s)

FTE Cost:	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
B. Total Annual Post-Project Cost:	
State Government Benefit (= A-B):	N/A

Annual Benefit Summary

State Government Benefit:	
Citizen Benefit (including quantifiable “hidden taxes”):	
Opportunity Value and Risk/Loss Avoidance Benefit:	\$1,250,000
C. Total Annual Project Benefit:	\$1,250,000
D. Total Annual Project Cost:	\$ 325,125
Benefit / Cost Ratio (C / D):	3.84
ROI (C – D / Requested State IT Project Funds):	71%

☐ Benefits Not Cost Related or Quantifiable (including non-quantifiable “hidden taxes”)